

JOHN ELIAS BALDACCI Governor TIM GLIDDEN
Acting Director

# Consensus Economic Forecasting Commission meeting – October 26, 2010 Background materials

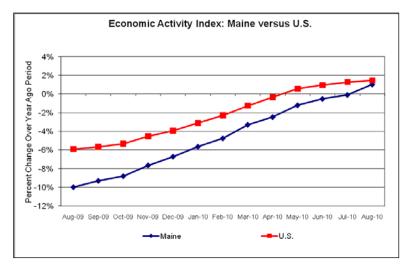
## Summary

While national and state economic conditions have been improving over the past months, the rate of improvement has been slow. In August, Maine's year-over-year economic activity index crossed over into positive territory for the first time since April 2008. However, consumer sentiment remains weak and some states that had been seeing improvement are facing renewed declines. Personal income shows signs of improvement for the first half of 2010 compared to 2009. While income from dividends, interest, and rent continued to decline during the first half of the year, corporate profits have been increasing tremendously in recent months around the county. The consumer price index has dipped slightly since December 2009, with increases in fuel and utilities not enough to offset declining core inflation. Oil prices remain below their mid-2008 peak. While home sales experienced a temporary boost from the homebuyer credit, they have dropped off again following the expiration of that credit. Housing permits also declined over the summer compared to last year.

The following presents a picture of the Maine economy, comparing current economic indicators to historical results.

#### Overall Economic Activity

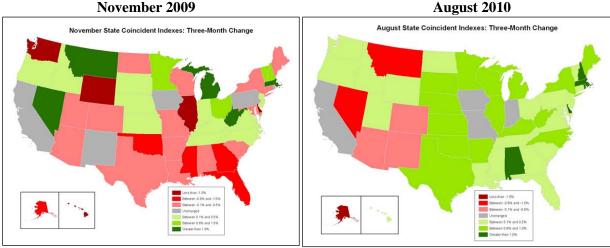
- The Maine Coincident Economic Activity Index, an economic indicator that is a proxy for State GDP, increased 1.0% in August 2010 over August 2009.
- This is the first time Maine's year over year change has been positive since April 2008.



Source: Federal Reserve Bank of Philadelphia, September 23, 2010 release

## State Coincident Index Three-Month Percent Change

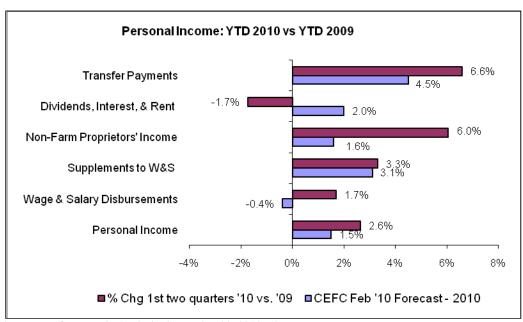
- For the three months ending in August, the indexes have increased in 40 states, stayed the same in 4, and decreased in 6 states.
- This is an improvement since November 2009, when the indexes decreased in 25 states, stayed the same in 5, and increased in 20 states.



Source: Federal Reserve Bank of Philadelphia, September 23, 2010 release

#### Personal Income

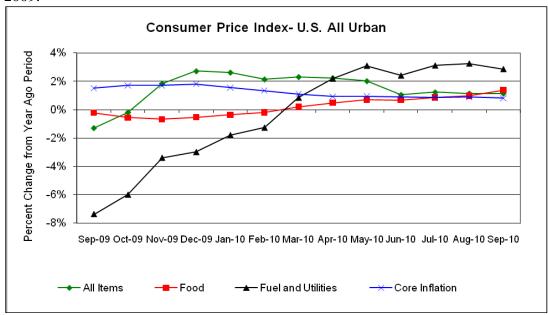
- According to preliminary estimates from the Bureau of Economic Analysis, total personal income grew by 2.6% over the first two quarters of 2010 compared to the first two quarters of 2009.
- Wage and salary income grew by 1.7% over the same time period.



Source: U.S. Bureau of Economic Analysis, September 20, 2010 release

#### Inflation

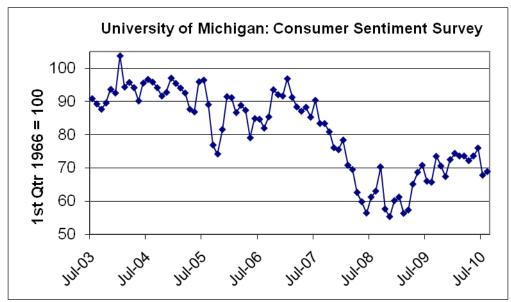
- The Consumer Price Index was 1.1% higher in September 2010 than a year ago.
- Core inflation was 0.8% higher in September 2010 than a year ago.
- The Consumer Price Index for the first half of 2010 was 2.1% higher than the first half of 2009.



Source: Bureau of Labor Statistics, October 15, 2010 release

## **Consumer Sentiment**

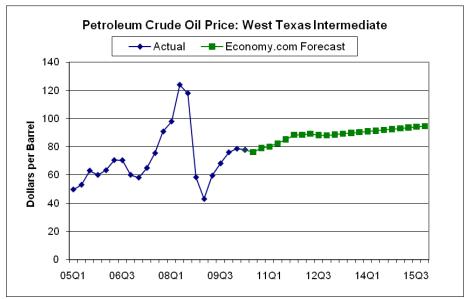
- In July 2010, the University of Michigan Consumer Sentiment Survey, a monthly survey that tracks consumer confidence in the economy, declined after several months of stability.
- Consumer sentiment has decreased 6% from February 2010 to August 2010.



Source: Reuters, University of Michigan, August 2010 release

## **Energy**

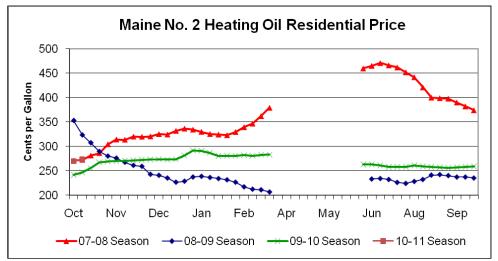
- The price of oil remained just below \$80/barrel in the first half of 2010, still much lower than the 2008 peak of nearly \$124/barrel.
- Prices have been increasing in recent weeks, with WTI currently trading around \$83 (as of 10/18/10).



Source: Moody's Analytics, October 2010 release

#### Heating Oil

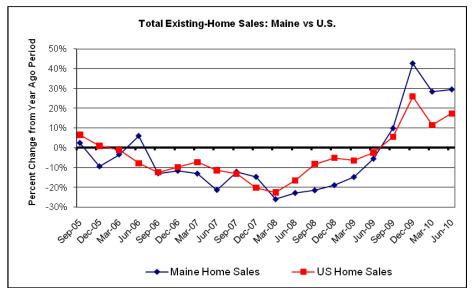
- The price of heating oil for most of the 2009-2010 season was above the previous season's levels.
- The 2010-2011 season, which has just begun, is currently above 2009-2010 levels, coming in at \$2.74 per gallon as of October 11, 2010, and is similar to prices from early in the 2007-2008 season.



Source: Energy Information Agency; State Planning Office (weekly survey does not run from April to June)

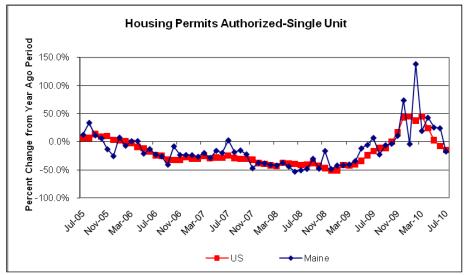
## **Housing**

- Existing-home sales in Maine rose slightly between the first and second quarters of 2010, from 23,600 to 26,400 (seasonally adjusted).
- When compared to the same period last year, existing-home sales in Maine were up 29.4% in the second quarter of 2010, exceeding year-over-year growth for the US.
- The jump in sales in late 2009 was due to the homebuyer tax credit, and sales have been falling following the expiration of that credit.



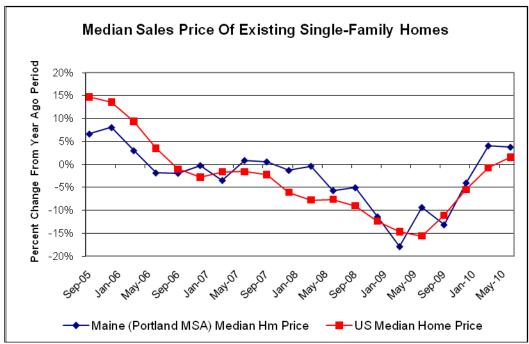
Source: National Association of Realtors, August 12, 2010 release, via Federal Reserve Bank of Boston

- Single family permits in Maine were down 17.3% in July 2010 compared to July 2009, on a seasonally adjusted basis.
- All but one of the months from November 2009 to June 2010 saw positive year-over-year change.



Source: US Census Bureau, September 30, 2010 release, via Federal Reserve Bank of Boston

- Home prices in the Portland South Portland Biddeford metropolitan area were up 4% in the second quarter of 2010 compared to the same period last year.
- This marked the second consecutive quarter of growth following 15 consecutive quarters where prices remained flat (< 1% increase) or decreased.



Source: National Association of Realtors, August 13, 2010 release, via Federal Reserve Bank of Boston